

POST-CABINET PRESS CONFERENCE: Monday, 4 July 2016

**PM:** Kia ora tātou. Rau rangatira mā, tēnei āku mihi mō Te Kāwanatanga Nāhinara; kia ora huihui tātou katoa. As of yesterday, you'll be aware, I announced the latest step in the Government's comprehensive plan to tackle housing affordability: a \$1 billion housing infrastructure fund. This fund will help ensure more houses are built faster in the areas where they're needed most. We want more built so first-home buyers can get a foot on the property ladder, so people who work hard can reward themselves with a place they're proud to call home, and so tenants have options for good rental properties. And we want more built so our most vulnerable have a safe, warm, dry place to call home, to help them get back on their feet and help themselves.

The Government has the right plan to meet the challenge. We created over 200 special housing areas so far to speed up the development of land for an estimated 70,000 new homes. We're reforming the Resource Management Act and freeing up surplus Crown land for development, and over the next 2 years another 2,000 Housing New Zealand homes are expected to be built. We introduced new tax measures targeting speculators and giving the Reserve Bank more tools to manage wider issues associated with the housing market. We're also investing more in social housing and supporting first-home buyers.

All this work is delivering results, and we're now in the middle of the biggest building boom New Zealand has ever seen. There are around 40,000 more people working in the building sector than 2 years ago and currently 42,000 apprentices being trained across the country. We're on track to build 85,000 new houses across New Zealand in this term of Parliament alone.

The fund announced yesterday builds on the comprehensive plan by providing targeted interim funding for core infrastructure in high-growth areas, to help ensure more houses are built faster. We are considering a range of options for implementing this. We are very conscious that some councils are approaching their debt ceilings; therefore, any framework will take into account that. We are looking, in particular, at the Crown Fibre model, which will, effectively, see the Government finance and own the assets, with arrangements for the council to purchase them once the houses are sold.

I've also announced yesterday our intention to establish urban development authorities for specific areas of high housing need. We'll consider the best approach for establishing these over the coming weeks, with a view to introducing legislation later this year.

As you will have seen, I'm heading overseas later this week for a series of trade and economic meetings in Europe, the UK, and Indonesia. Italy and France are important trading partners to New Zealand and highly influential members of the European Union (EU). I'm looking forward to meeting with my counterparts and discussing how we can further strengthen those relationships in light of Britain's decision to leave the European Union. While in France I'll also attend Bastille Day commemorations, which this year coincide with the 100-year anniversary of the Battle of Somme. It's an honour to have been invited to take part in these commemorations, and I look forward to joining our Defence Force personnel to pay respects to our soldiers who fought and died in France.

Before visiting Rome and Paris, I have an informal meeting with UK Prime Minister David Cameron in London. Meetings in Brussels may also take place, if the necessary arrangements can be made. New Zealand has strong relationships with both the EU and the UK. It's important we reinforce both those relationships, now that Britain's referendum decision has been made.

Following on from Europe, I'm leading a senior business delegation to Indonesia. Indonesia is an important regional partner for New Zealand and a key player in the Asia-Pacific region. It is New Zealand's thirteenth-largest two-way trade partner, and we see huge potential to build that relationship further.

In Parliament this week we have the first readings of the Maritime Crimes Amendment Bill and the Fire and Emergency New Zealand Bill. We'll also progress the Estimates debate.

In terms of my own activities, as per normal I'm in Wellington tomorrow and Wednesday. I'm in Hawke's Bay on Thursday and Auckland on Friday.

**Media:** Did you agree with Arthur Grimes that we need to flood the housing market in Auckland to such an extent that it crashes above 40 percent?

**PM:** No, I think it's crazy.

**Media:** Why?

**PM:** Well, I mean, go and ask the average Aucklander who's got a mortgage with the bank whether they want to see 40 percent of their equity disappear on a, sort of, notion from an economist that you're going to, you know, crash the market. I mean, what Auckland needs—and what the rest of New Zealand needs, where it's in high growth—is a sustainable supply of housing to meet the demand. Obviously, making sure that prices don't go up too rapidly is an important part of what we're trying to achieve here, but, actually, destroying people's equity is not what this Government's all about.

**Media:** Wouldn't that just take prices back to where they were at the middle of 2012, though?

**PM:** Oh, yeah—but it will also leave an enormous number of people who've just entered into the market with huge losses. I suspect it will put enormous pressure on developers; that would put pressure on some of the banks, and I can't see why that's a really good idea. And anyway, practically, he's talking about the creation of 150,000 homes in Auckland. Well, last time I looked we'd built about 9,000 or so, that sort of number, in the last 12 months. We're obviously on our way to try to get to higher numbers—nearer 13,000—but where you'd get 150,000 homes from overnight, I don't know.

**Media:** The head of the City Mission in Auckland is calling for an inquiry into the housing crisis and homelessness. Would you support that? He's saying he wants political parties, NGOs, everyone involved to work together on this.

**PM:** We have a lot of respect for the new commissioner, and we are quite happy to work alongside him, in fact, and I know our people are talking to the head of the City Mission. I mean, whether that's the right response or whether it's better for us to keep discussing what we are doing and what more support we can provide—I think that's useful. I'm not sure whether sitting around with other political parties would achieve a lot, but we are happy to engage and exchange views on the issue.

**Media:** Well, Labour and the Greens are asking for a select committee inquiry into housing and homelessness. Will National MPs vote for that?

**PM:** I would firstly have to take that to our caucus and have that discussion. As I said, I think what I'd rather do is to continue to engage with the City Mission and other interested parties and, you know, both in Auckland and, again, in places like Tauranga, and make sure that the Government is addressing the needs that are there. We recognise that there's greater need and we need to continue to work on that—I'm just not entirely sure what a select committee inquiry would do.

**Media:** Would you be willing—they're saying they'll put politics aside, it's not about politics; it's much bigger than that. You need to sit down, surely that's something that you can try to do?

**PM:** Well, I think what the parties are saying—at least none of the other political parties, but I think what the City Mission is saying—is that there is increased demand and they want support and action for that demand. And the Government is absolutely working on addressing that issue through a number of different fronts. We are always open to those discussions.

**Media:** Prime Minister, this infrastructure fund—is that now an indication from the Government that you're happy for it to go out rather than up in Auckland?

**PM:** Oh, well it's an indication that the Government wants to remove any final impediments that might be there and seeing more housing built. What the construct of that housing is—whether it's, you know, high-rises or whether it's moving out to more greenfield sites—that's a matter for both the council and developers and others to determine. But what we don't want is the lack of council resources to fund that infrastructure to stop those houses being created.

**Media:** Are you suggesting that the Crown Fibre Holdings approach would apply to all of the council borrowers, or just those which are close to their debt limit?

**PM:** What we try and do is keep quite an open mind on how the fund might be structured, and I think it's possible it could be structured in different ways. What we know with Crown Fibre Holdings, though, is it's not an interest-free loan. I know that's one of the ways that things have been reported but, effectively, through Crown Fibre Holdings, we own the assets and those assets transfer to the parties that want to buy them over time. And so, if you take Auckland, for example, because an industry loan might go and sit on their books, which is the very thing we are trying to avoid. The Crown Fibre Holdings – type structure would avoid that going on their books till they were at a point where they've got the capital through development contributions rather than us paying for that.

**Media:** Do you think that the \$1 billion fund is enough, given that the council says it needs \$19 billion to provide the infrastructure for what's in their future urban—

**PM:** Well, council's determining that it needs around \$19 billion in Auckland over the next decade for all of its infrastructure, much of which is not housing, necessarily, related—you know, it's its share of the CRL, for instance, its other arterial routes for commerce and better connectivity around the city. So that's a very large number over a long period of time. What I think is true is that the Auckland Council recognises that it does have more housing infrastructure it wants to create, but does recognise that it is running into its debt ceiling. So I think it does welcome the creation of the fund.

Is it enough? Well, if you think about what is possible with the fund—obviously we've put aside a billion dollars. We think that will be taken up, and we think that as the councils get the development contributions and other resources in they'll choose to take those assets off the Crown. That doesn't mean capital couldn't be recycled. So there's plenty of options with this thing, it's just a model for speeding up the delivery of that infrastructure.

**Media:** Could you increase the amount of borrowing?

**PM:** Well, in theory you could; or as they repaid, you know, you could continue to recycle and refill the fund.

**Media:** Just in terms of who can use it, can it be used for brownfield developments to upgrade roads and that sort of thing—or does it have to be green?

**PM:** The test is whether you're building more houses. So it's not for existing infrastructure, per se, but if you had very old infrastructure in a brownfield site and that infrastructure had to be replaced and was going to create a lot more houses, then technically it might work.

**Media:** Just in terms of how you came to the five cities—I mean, Christchurch and Hamilton have come back and said “Thanks but no thanks”, essentially, to the money. Did anyone talk to Hamilton and Christchurch about whether they wanted it?

**PM:** Yeah, so all five cities were spoken to—you know, that we were doing it. The test is whether they have double-digit growth anticipated over the next period of time. The reason Christchurch fits in there is because it had double-digit growth and, of course, you know, our responses to that actually solved that issue. So we agree with Christchurch. We think it's less likely that they will want to take up significant parts of that, because the

Government's put in such a massive amount of resource into Christchurch. But the test is whether they fit that criteria of high growth, because, by definition, another part of New Zealand might fit into the criteria of high growth, and over time we might want to add them to being applicants for the fund.

**Media:** So Mayor Brown has signalled that he might be interested in accessing that fund for that major pipe that's being put underground from Māngere to the tunnel—

**PM:** Oh, to Waterview?

**Media:** —the Waterview Tunnel, yeah. Would that fit the criteria as you see it, and, if so, what would he need to prove in terms of extra housing in order to qualify—

**PM:** Well, as I laid out in my speech yesterday, the test is, you know, more houses and, you know, all of those other conditions I set out. But the basic test, if you think about it, is it creates more and new housing, and so I can't tell you whether that fits within there. Someone would have to go away and have a look at it.

**Media:** So it could be possible, if there was more infill housing being developed as a result of it or more intensive housing inside Auckland, that it could—

**PM:** Potentially, yeah, but you'd need to fit the test of creating more houses.

**Media:** Will you use the compulsory acquisition power in these urban development authorities to force land bankers to develop, or is that something that is something separate?

**PM:** Look, I think if you take a step back and look at the successful UDAs around the world, what's made them successful is they have total control over the particular area that they're developing, or extremely broad-ranging control. And so, as we know, for instance, in some of those areas you can get all sorts of things where a piece of land might be, for instance, covered under the Reserves Act and it requires a change in Parliament—the law in Parliament—to change its designation. So, you know, I don't think we're looking to go and march over the top of people's property rights. I mean, we still believe the fastest way to ensure that there is development is to make sure that there's enough supply that means that the capital gain from holding land doesn't outstrip the value that might be created by developing land, and that's our primary concern and primary focus.

When you look at where people are—you know, claims, at least, are made that people are—land banking in the special housing areas, more often than not there are other complications that are there, or the sheer cost of development in some cases could be extraordinarily high and not fully understood at the time. So for the most part those special housing areas are being developed, and the earthworks and others are being completed. There have been one or two cases where that hasn't been that possible. I think—I might stand corrected, but I'm pretty sure—under the special housing legislation you could actually change the designation if you want to, so it's not a matter of, you know, involuntarily acquiring the land but in theory you could change the designation.

But, look, in the sort of practical world we live in, we're not trying to march over the top of people's property rights. What we are trying to do is give the development capability, you know, the biggest boost we can and take away impediments.

**Media:** Have you talked to Malcolm Fraser—Malcolm Turnbull yet?

**PM:** Malcolm Fraser, no; Malcolm Turnbull, yes, I've spoken to him a couple of times yesterday.

**Media:** And?

**PM:** Oh, look, I just had a discussion with him, as you would. I mean, I know him pretty well. But, look, in the end, what I know is what you see in the public domain. You know, there's 1 and a half million votes to be counted, there's a number of seats in play,

and they won't have a better idea of that until at least Tuesday, and maybe a little later in the week.

**Media:** Did you give him some advice on how to, perhaps, run a minority Government?

**PM:** Well, I offered him support if he wanted that, in terms of how we have structured things in New Zealand, because I think one thing about MMP, it's a system designed for minority Governments. And, as we know, in Germany—well, New Zealand's never had a majority Government, other than us on election night, for a few seconds, and Germany's had it once. And so, you know, we've become very used to how you might construct confidence and supply and all the rest of that sort of stuff. So my basic message was, you know, we've very effectively worked minority Governments. You know, the previous Government was a 9-year Government under a minority Government, so it's quite possible, and in the end you've just got to get on and do it. That was more encouragement, but, I mean, we'd offer that advice if people want it.

**Media:** Did he give you any sense, when you were having a discussion, about whether or not there'd been some sort of voter backlash in Australia about, you know, anti – the major parties, the, sort of, independence, the rise of Pauline Hanson? Did he give you any sense of that?

**PM:** Not really—I mean, I think, you know, every place is a bit different, isn't it? And, you know, there are different conditions that apply. I mean, Pauline Hanson's sort of been there or thereabouts for a while. I know she came and went. But as I've been saying for some time now, every country has a party that sort of wants to advocate for those kinds of issues. You've got it in the UK, obviously, with Nigel Farage, for a long period of time. You've got it in Australia with, you know, Pauline Hanson. You've certainly got it in France, and you've got it in New Zealand with Winston Peters; not new.

**Media:** If it was so indecisive next year at our election, would you be prepared to work with Winston?

**PM:** Well, we effectively neutralised that debate in 2014 so we could be clear with voters, and I can't imagine us changing that position for 2017. In other words, our preferred position is to talk to our existing partners first off, if they were returned to Parliament and we were in a position to put together a Government, but we're going to sit down; if Winston Peters is in Parliament and wants to have a discussion, then we'd do that as well.

**Media:** Just back on housing, why doesn't the Government provide some certainty of demand to property developers and house builders—you know, like Fletchers and others? So they know that in 5 or 10 years' time there's always going to be a solid demand and they don't have to worry about boom-bust. Why doesn't the Government get in there and say "We're going to—", you know, orders up in the thousands of houses?

**PM:** I don't think it's quite as simple as that. I mean, if you think about the private sector and, say, for instance, take Fletchers, for instance, in its development in Three Kings, what you'd be really saying under that model is that the Government would underwrite, you know, a certain percentage or all of those houses. But those houses might structure quite differently, for instance, to what Housing New Zealand wants to purchase going forward or what Housing New Zealand wants to rent, you know, for properties that they would use in their portfolio.

So I think there's a high degree of confidence from developers that they can see forward demand coming. I don't think that's what's holding things back. If you look at all of the challenges that have been there in the housing market, yes, of course there was lack of demand in the early years from when we were in Government because of the global financial crisis. But in recent times I don't think it's been the lack of confidence from developers to develop; I think it's been the pace of their capacity both to get the resources, but most of all the planning and the release of land, and that's been the frustration.

**Media:** Treasury today in its, you know, economic indicators for the Brexit and impacts, it did note that there might—if there was a recession in the UK, it could see that put more pressure on migration inflows into New Zealand, less Kiwis going into the UK and perhaps more coming back. Given that and Australia's position, are you're worried that you might get some more pressure on migration numbers?

**PM:** I think the biggest driver of whether people go to Australia or not is less the Australian Government—and, you know, to a certain degree, even their policies; although, of course, they have some impact. But the biggest issue is in those really big industries that have attracted New Zealanders in the past, whether they have a resurgence because of change in prices. So if the mining sector kicks off again in Australia, you'll certainly see New Zealanders continue to migrate across the Tasman. So it's more driven by that than solely, you know, the election outcome. Of course, you know, good government helps drive economic growth and it drives those opportunities. I mean, I'd look at the margins. It may have an impact, but I don't think it's dramatic. I think New Zealanders have been staying home or returning because our economy's been performing well. As long as we continue to do that, I think you will see New Zealanders stay home but these are just, sort of, smaller factors in the overall scheme of things.

**Media:** Crown Irrigation Investments have been accused of wasting money on administration costs. Are you worried about that?

**PM:** Well, obviously we don't want to waste money on administration, but because it was a new entity and because these are very long-term projects and they require a lot of work, there was a lot money that was spent upfront on the administration side of things. But over time, this is \$120 billion worth of—\$120 million worth; \$120 billion might be a bit exciting—\$120 million of Government resources that can be used through the irrigation scheme. So over time you'll see a lot more of the money being spent on the grants, which is what we wanted, and actually on establishing those schemes, as opposed to administration.

**Media:** So you'd be concerned if this trend continued?

**PM:** I don't think it will continue, because that lot of the money was spent initially establishing it and also the work they were doing around the irrigation schemes.

**Media:** Just back on Pauline Hanson—among her policies, which can be questionable, she does have a reasonably favourable policy in terms of offering a pathway to citizenship for New Zealanders. She may have a sort of kingmaker-type role, potentially. Do you think there's a glimmer of hope for New Zealanders in terms of Pauline's policy on citizenship?

**PM:** Well, look, any Australian politician that wants to advocate for better rights for New Zealanders in Australia is to be welcomed. In regard to that policy, I think, you know, realistically, what—you know, what has been happening in Australia is we've had some movement under Malcolm Turnbull. But the big issue here is fiscal cost to Australia, and given they're running, you know, substantial deficits, I don't think you're going to see a dramatic change. I thought we got quite a bit of movement earlier in this year. You know, maybe over time you can get more, but I don't think it's just an advocacy issue. It's ultimately—it's if the Australian Treasury want to bear those costs, and that's been the stumbling block so far.

**Media:** If Pauline Hanson made some headway on that, would you, sort of, welcome her with open arms and consider her a bit of an ally?

**PM:** I'm not quite sure I'd describe it in the terms you have. OK, see you later.

**conclusion of press conference**